



**North Carolina Department of Health and Human Services**  
**Division of Mental Health, Developmental Disabilities and Substance Abuse Services**  
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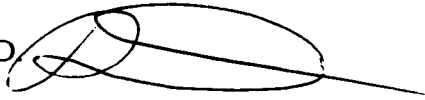
Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

Richard J. Visingardi, Ph.D., Director

April 18, 2002

**MEMORANDUM:**

TO: Area Directors

FROM: Richard J. Visingardi, Ph.D. 

RE: Budget Update for SFY 02 and SFY 03

As I hope everyone is aware, the Division is working closely with the Council through its Management Systems Work Group (MSWG) in looking at potential budget reductions in the current year and for next year.

A brief bit of background. Several weeks ago, the Division anticipated there would be two levels of funding reductions for area programs this year as a result of the State's budget shortfall. The first was to be a reduction of appropriately \$9.7m in current year allocations. The second level was to be a \$10m reduction covered via the utilization of SFY 01 area program Medicaid settlement funds. These anticipated reductions were projected reductions even after taking into account frozen State expansion funds and underearnings in the MR/MI and CTSP programs. As previously communicated to you, the Division has been able to defray the \$9.7m reduction through higher than anticipated underearnings in the MR/MI and CTSP programs and the use of additional available block grant funds to swap for State funds. As it currently stands, the only reduction which area programs must address this year beyond the MR/MI and CTSP underearnings reductions, is slightly over \$9m which will be off-set against the SFY 01 anticipated area program Medicaid settlement amount.

In the Division's earlier work with the MSWG, the Division developed the attached spreadsheet as the methodology to be adopted in distributing what we thought at the time would be the \$9.7m reduction in current year allocations. This is the methodology recommended by the MSWG and agreed to by the Division. Since the development of the attached schedule and as noted above, area programs will not have to take this \$9.7m reduction.

This now leaves only the approximate \$9m in reductions for the current year to deal with and this amount will be off set against the projected area program SFY 01 Medicaid settlement funds. The Division is continuing to work with the Council through its MSWG to arrive at the methodology for distribution of the reduction which will be applied against the SFY 01 Medicaid settlement funds. While several potential options have been discussed with the Council, the Division has NOT adopted the final methodology for distribution of this reduction. The



Division's position on this is that we would like to adopt whatever recommendation the MSWG puts forward, provided the Division can support it.

In response to a request from the MSWG, the Division is distributing a copy of the schedule referenced above. Please understand that distribution of this attachment is for informational purposes only and (1) it has NOT been adopted as the basis for distributing the approximate \$9m reduction which will be applied to the Medicaid settlement funds, and (2) it has NOT been adopted as the methodology for distributing any SFY 03 reductions which may be forthcoming once the General Assembly adopts a budget for next year. It is possible that the percentages represented in the attached worksheet may be a factor in dealing with reductions noted in (1) and (2) above but this has NOT been decided. The MSWG thought area programs might find the attached schedule, column 15 in particular, helpful in doing some preliminary planning for potential reductions next year and in thinking about how the current year reduction against the Medicaid off-set might be handled. **STRONG CAUTION FOR NEXT YEAR:** As previously noted above and in the next paragraph, there has been no decision on any area program reductions for next year. IF there is a reduction next year and we approach it in a manner similar to this year, it is likely that the projected underearnings in columns 4 through 6 on the attached spreadsheet will not be factored-in in the same manner as this year. For example, a similar spreadsheet may be developed for next year but leaving out the unearned MR/MI and CTSP funds as an adjustment with specific instructions on how such funds would be treated – this just hasn't been decided yet.

As addressed through previous correspondence, we do not know what reductions, if any, may impact area programs next year. We should have a better feel for the budget situation for next year once the Governor presents his budget to the General Assembly, however, final budget actions for next year will be dependent upon the budget adopted by the General Assembly.

I do call your attention to columns 4 through 6 on the attached schedule related to MR/MI and CTSP funds for the current year. When this schedule was developed, these were the estimated amounts of MR/MI and CTSP funds which would either be unearned or unexpended this year from MR/MI and CTSP funds allocated to area programs. The Division is in the process of updating the estimates and through separate deallocation letters, reductions in current year MR/MI and CTSP allocations will be made this week. The amounts for deallocation will probably vary somewhat from the amounts reflected in columns 4 through 6 based on this update, but they should be relatively close. As previously committed, if we cut the reductions to close and reduce more than we should based on final billings, the Division will make appropriate allocation adjustments at year-end to prevent any program from receiving less than they could legitimately earned at the pre-reduction level.

Should you have any questions regarding this information and the attached schedule, please contact Phillip Hoffman at 919-733-7013 or [Phillip.Hoffman@ncmail.net](mailto:Phillip.Hoffman@ncmail.net)

RJV/ph  
Attachment

cc: Area Board Chairs  
Area Finance Officers  
Executive Staff  
Lanier Cansler  
James Bernstein

Rob Lamme  
Allyn Guffey  
Budget Office Staff  
Carol Duncan Clayton



1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Area Program	SFY 02 Recurring Allocations	Area Admin. Reduction	Estimated Unearned MR/MI	Estimated Unearned CTSP-UCR	Estimated Unexpended CTSP non-UCR	Less State & Fed EHA	Less PATH	Less IV-Drug	Less Sale & Drug Free Schools	Less State & Federal Women's	Less Family Preservation	Less TANF	Adjusted Total Div. Allocation to Area Prog	AP % of Col 14 Total
Alamance-Caswell	8,935,229	(72,043)	(300,000)	(217,800)	(20,134)	(376,033)	0	0	0	(31,779)	0	(177,708)	7,739,732	2.49%
Albemarle	5,810,812	(19,804)	(25,000)	(46,727)	(13,083)	(235,585)	0	0	0	(2,995)	0	(66,558)	5,210,060	1.68%
Blue Ridge	14,115,741	(24,060)	(200,000)	(191,638)	(40,339)	(612,205)	(45,000)	(344,952)	(25,000)	(855,313)	(32,582)	(106,013)	11,638,639	3.75%
Catawba	5,827,564	(13,176)	(200,000)	(240,083)	(21,273)	(385,879)	0	0	0	(48,144)	0	(58,537)	4,860,472	1.56%
Centerpoint	15,093,146	(35,775)	(150,000)	(589,097)	(53,502)	(687,308)	(45,000)	(533,369)	(91,055)	(413,343)	(43,443)	(135,600)	12,315,654	3.97%
Crossroads	11,099,308	(35,045)	(400,000)	(502,472)	(34,873)	(499,175)	(62,181)	0	(40,069)	(101,773)	0	(60,008)	9,363,712	3.01%
Cumberland	10,067,203	(28,021)	0	(561,783)	(46,816)	(733,349)	(82,500)	0	(38,783)	(304,457)	(32,582)	(145,299)	8,093,613	2.61%
Davidson	6,676,767	(13,640)	(50,000)	(219,069)	(22,352)	(369,030)	0	0	(21,471)	(53,825)	0	(56,976)	5,870,404	1.89%
Duplin-Sampson-Lenoir	9,280,357	(49,725)	0	0	(21,440)	(438,719)	0	(356,908)	(104,400)	(89,900)	0	(126,671)	8,092,594	2.61%
Durham	10,503,095	(20,859)	(50,000)	(36,864)	(32,408)	(532,525)	(45,000)	(255,635)	(61,897)	(560,336)	0	(244,443)	8,663,128	2.79%
Edgecombe-Nash	7,162,686	(33,469)	(200,000)	(269,770)	(19,419)	(322,180)	0	0	(27,000)	(105,726)	0	(116,388)	6,268,734	2.02%
Foothills	10,441,826	(22,442)	(150,000)	(562,823)	(41,594)	0	0	0	0	(47,533)	(114,822)	(67,730)	9,434,882	3.04%
Guilford	17,257,150	(39,210)	(200,000)	(825,615)	(53,074)	(534,671)	0	(543,361)	(134,498)	(228,269)	0	(267,682)	14,430,770	4.65%
Johnston	3,852,126	(11,596)	0	0	0	(236,333)	0	0	0	(20,360)	0	(56,163)	3,327,674	1.07%
Lee-Harnett	7,295,790	(27,503)	0	(344,209)	(23,106)	(377,277)	0	0	0	(23,133)	0	(67,435)	6,433,127	2.07%
Mecklenburg	23,852,671	(65,546)	(600,000)	(710,951)	(78,797)	(1,420,597)	(45,000)	(271,930)	(61,780)	(983,617)	0	(686,339)	18,928,114	6.09%
Neuse	7,916,355	(16,066)	(300,000)	(56,877)	(21,000)	(517,835)	0	(171,276)	0	(40,124)	0	(185,847)	6,607,330	2.13%
New River	8,259,622	(43,803)	(100,000)	(204,797)	(17,688)	(500,144)	0	0	(50,760)	(35,617)	0	(58,712)	7,248,101	2.33%
Onslow	5,487,218	(13,875)	(100,000)	(341,141)	(18,854)	(539,456)	0	0	0	(111,628)	0	(60,041)	4,302,223	1.39%
OPC	12,798,740	(117,131)	(600,000)	(368,532)	(29,288)	(536,773)	0	0	(27,144)	(983,669)	0	(559,454)	9,576,749	3.08%
Pathways	19,238,748	(93,914)	(400,000)	(549,866)	(58,176)	(793,663)	0	0	(65,619)	(85,154)	0	(679,506)	16,512,850	5.32%
Piedmont	18,764,552	(41,519)	(600,000)	(533,976)	(74,633)	(922,736)	(45,000)	(212,124)	(58,824)	(185,220)	0	(236,223)	15,854,297	5.10%
Pitt	7,939,520	(12,503)	(50,000)	(107,555)	(19,095)	(354,815)	0	(475,161)	0	(303,310)	0	(729,701)	5,887,380	1.90%
Randolph	6,274,503	(19,662)	(200,000)	(192,486)	(18,195)	(289,028)	0	(89,527)	(25,000)	(21,978)	0	(52,410)	5,366,217	1.73%
Riverstone	4,055,150	(54,964)	(50,000)	(44,992)	(7,115)	(241,976)	0	0	(55,799)	(31,696)	0	(71,505)	3,497,103	1.13%
Roanoke-Chowan	4,301,329	(35,363)	0	(108,186)	(8,448)	(175,950)	0	0	0	(42,228)	0	(68,155)	3,862,999	1.24%
Rockingham	5,076,946	(38,220)	0	(152,962)	(17,647)	(270,646)	0	0	(45,350)	(21,290)	0	(178,111)	4,352,720	1.40%
Rutherford-Polk	4,658,949	(39,188)	(50,000)	(326,940)	(16,406)	(235,608)	0	0	0	(35,310)	0	(56,038)	3,899,459	1.26%
Sandhills	11,805,079	(83,525)	(200,000)	(271,914)	(33,790)	(458,927)	0	0	(64,369)	(156,511)	(75,000)	(737,012)	9,724,031	3.13%
Smoky Mountain	9,574,522	(66,805)	(200,000)	(401,575)	(30,537)	(600,622)	0	0	(117,936)	(230,120)	(90,506)	(61,872)	7,774,549	2.50%
Southeastern	12,322,525	(25,814)	0	0	(38,272)	(603,096)	(45,000)	(700,624)	(30,600)	(374,243)	0	(612,981)	9,891,895	3.18%
Southeastern Regional	12,516,603	(22,797)	0	(257,654)	(43,831)	(500,544)	0	0	(74,602)	(501,743)	0	(151,677)	10,963,755	3.53%
Tideland	6,439,459	(67,591)	(150,000)	(206,937)	(11,841)	(280,847)	0	0	(25,000)	(42,762)	0	(188,702)	5,465,779	1.76%
Trend	5,389,490	(11,041)	(100,000)	(306,595)	(20,206)	(303,394)	0	0	0	(35,417)	(75,000)	(55,684)	4,482,153	1.44%
VGFW	8,967,765	(65,569)	(300,000)	(489,865)	(34,902)	(432,958)	0	0	0	(66,451)	0	(115,618)	7,462,402	2.40%
Wake	22,576,383	(59,589)	0	(1,368,451)	(77,677)	(1,631,456)	(65,319)	(339,614)	(67,710)	(515,111)	0	(745,491)	17,705,965	5.70%
Wayne	5,274,040	(10,440)	(50,000)	(340,899)	(20,956)	(372,863)	0	0	(54,000)	(120,962)	0	(67,717)	4,236,203	1.36%
Wilson-Greene	5,848,688	(48,707)	(50,000)	(156,303)	(14,941)	(273,219)	0	0	0	(2,490)	0	(65,318)	5,237,710	1.69%
<b>TOTAL</b>	<b>372,566,657</b>	<b>(1,500,000)</b>	<b>(8,025,000)</b>	<b>(12,107,404)</b>	<b>(1,155,708)</b>	<b>(18,597,422)</b>	<b>(480,000)</b>	<b>(4,294,481)</b>	<b>(1,368,666)</b>	<b>(7,813,537)</b>	<b>(463,935)</b>	<b>(8,177,325)</b>	<b>310,583,179</b>	<b>100.00%</b>

Footnotes: (a) Schedule includes Division allocated State and Federal funds recurring allocations. CASP funds are NOT excluded unless funds are from a source in columns 4 thru 13.

(b) Crossroads amount for MR/MI includes Tri-Alliance.

(c) The following funds are allocated on a 1-time basis and are not included in the above amounts: Federal State Incentive Grant; Federal System of Care and N.C. FACES;